

**SAN BERNARDINO COUNTY
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
INTERNAL AUDITS DIVISION**



**AGRICULTURE/WEIGHTS AND MEASURES:
BILLING AND COLLECTIONS AUDIT**

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Agriculture/Weights and Measures: Billing and Collections Audit

Audit Report Letter	1
Executive Summary	3
Audit Background	4
Scope, Objectives, and Methodology	6
Audit Findings and Recommendations	7



San Bernardino County



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March 17, 2025

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RE: Billing and Collections Audit

We have completed an audit of the Department of Agriculture/Weights and Measures (Department) billing and collections for the period of July 1, 2022, through June 30, 2023. The primary objectives of the audit were to determine if the controls over the Department's billing process for commercial weighing or measuring device registration fees were in place and effective and to determine if the controls over the Department's collection process for delinquent commercial weighing or measuring device registration fees were in place and effective. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.


We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on January 29, 2025, and discussed our observations with management on February 26, 2025. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA, CFA
Auditor-Controller/Treasurer/Tax Collector
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By: 
Denise Mejico, CFE
Chief Deputy Auditor

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Date Report Distributed: 3/24/25

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Summary of Audit Results

Our findings and recommendations are provided to assist management in improving procedures relating to billings and collections for commercial weighing or measuring device registration fees.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	Controls over the receipting process could be improved.	7
	We recommend the Department review the ICCM Chapter 6-7 "Mail Receipts" and train all staff on the requirements of the ICCM. We also recommend that two or more employees are present when the mail is opened, or video surveillance is used if only one employee is present. We further recommend that the employee opening the mail totals the cash, checks, and money orders received and turned over to the cashier in accordance with the ICCM. Finally, we recommend that management segregate duties for opening mail, receipting, and processing payments.	
2	Depositing procedures could be improved.	8
	We recommend deposits be made by the next business day when the amount of receipts reaches \$1,000 in cash and coin. If deposits cannot be made by the next business day, we recommend the Department submit a request to the Auditor-Controller/Treasurer/Tax Collector's Office for an exemption from the policy. We also recommend the Department review and train staff on the requirements of the ICCM Chapter 9-4 "Bank Deposit Guidelines".	
3	Controls over billing and collections records could be improved.	9
	We recommend the department retain their records in accordance with ICCM's "Principles of Internal Control" and ensure proper supervision over the retention and destruction of records. We also recommend the Department adequately track delinquent notices and document and review reconciliations between billings and collections.	

Billing and Collections Audit

The Department

The Department of Agriculture/Weights and Measures conducts regulatory activities and provides services to promote and protect the agricultural industry, businesses, and consumers in the County. The department conducts these activities through the fair and equitable application and enforcement of State laws and regulations.

Their mission is to protect and promote agriculture, natural resources, and the quality of life in San Bernardino County for residents and businesses. To accomplish this, the Department works with the California Department of Food and Agriculture, the California Department of Pesticide Regulation, the United States Department of Agriculture, and the United States Environmental Protection Agency to meet the needs of the community.

The Department is divided into three Divisions that provide a variety of services and inspections: Consumer Protection, Environmental Protection, and Pest Prevention.

- Consumer Protection – Weights and Measures Programs, Certified Farmer Markets and Producers, and Fruit and Vegetable Quality
- Environmental protection – Pesticide Use Enforcement and Invasive Weed Eradication
- Pest Prevention – Pest Exclusion and Pest Detection Programs

Weights and Measure Division

The Department annually inspects commercially used weighing or measuring devices, and after the device passes the official tests, a “seal” is placed on the device, showing the consumer that it was accurate on the date of testing. The Department also inspects the following:

- Consumer scales at retailers, such as grocery stores and delis.
- Large commercial scales, such as concrete and shipping businesses and companies.
- Packaging on items for accuracy in weight and price.
- Commercial vehicle odometer readings, such as on taxis and ambulances.
- Retail motor fuel pumps.

Billing and Collections

Businesses with commercially used weighing or measuring devices are billed annually by the Department for a device registration/permit certificate. Three types of fees can be billed: device fees, location fees, and an annual device administrative fee. The device and location fees are listed in the San Bernardino County Code 16.0201, and the annual device administrative fee is collected on behalf of the California Department of Food and Agriculture. The Department mails invoices to businesses in June for permits issued for the upcoming fiscal year (July – June) period. If payment is not received, delinquent notices are sent to non-paying businesses starting in November. The Department uses Equimetric, which is a comprehensive suite of applications designed to meet the Field Inspection, Reporting, Device Registration, and Management requirements of California Weights and Measures jurisdictions.

Scope and Objectives

Our audit examined the Department's controls over the billing and collections processes for commercial weighing or measuring device registration fees for the period of July 1, 2022, through June 30, 2023.

The objectives of our audit were to:

- Determine if the controls over the Department's billing process for commercial weighing or measuring device registration fees were in place and effective.
- Determine if the controls over the Department's collection process for delinquent commercial weighing or measuring device registration fees were in place and effective.

Methodology

In achieving the audit objective, the following audit procedures were performed, including but not limited to:

- Review of Department billing and collections policies and procedures
- Interviews with Department staff regarding the billing and collections process
- Review of pertinent documents such as San Bernardino County Ordinance 16.0201, business registration forms, invoices sent to businesses, and delinquent invoices sent to businesses
- Examination of system generated reports from the Equimetric system

Finding 1: Controls over the receipting process could be improved.

The 2018 Internal Controls and Cash Manual (ICCM) Chapter 6-7 "Mail Receipts" states that the receiving, opening, and distributing of incoming mail must be handled by, or under the supervision of, an employee other than the cashier, bookkeeper, or person preparing the deposits. Two or more employees should be present when mail is opened. The department may also choose to use video surveillance.

The person who opens incoming mail must complete a list, preferably in duplicate and on numbered forms, of the mail receipts received indicating the name of the remitter, the amount received, other pertinent data, and signatures of the person opening the mail and the cashier to whom the mail receipts are turned over.

If this procedure is not feasible due to the large volume of remittances by mail, the person opening the mail must total the cash, checks, and money orders received in a spreadsheet (Excel) or on a calculator tape. The monies received must be turned over to the cashier, who issues an Official County Receipt for the total of the items and signs the calculator tape acknowledging receipt of the total amount indicated.

The following conditions were identified:

- Only one employee is present when mail is being opened.
- The person opening the mail does not complete a list of the mail receipts received or does not total the cash, checks, and money orders received in a spreadsheet or on a calculator tape.
- Segregation of duties needs improvement. An office assistant can open mail, receive payments at the counter, process payments, and enter payment information into Equimetric.

Responsibilities are shared due to the limitations with staffing. There is an increased risk of undetected errors and potential theft when mail is opened by only one employee or when checks and money orders are not recorded on a spreadsheet. The risk further increases when there is a lack of segregation of duties.

Recommendation:

We recommend the Department review the ICCM Chapter 6-7 "Mail Receipts" and train all staff on the requirements of the ICCM. We also recommend that two or more employees are present when the mail is opened, or video surveillance is used if only one employee is present. We further recommend that the employee opening the mail totals the cash, checks, and money orders received and turned over to the cashier in accordance with the ICCM. Finally, we recommend that

management segregate duties for opening mail, receipting, and processing payments.

Management's Response:

Beginning in November 2024, the Department assigned two employees to be present when mail is opened and date stamped. When payments are received by mail, they are logged on to a numbered tracking form and the form is retained for five years. Employees present when the mail is opened are not allowed to log payments on to the numbered tracking forms that are for the programs that they are assigned to work in. The employee logging the payment and the witness are to record their names on the tracking form. A member of the Department's Supervision/Management team is required to review the mail that is opened and sign acknowledging that the payments have been received and logged on to the tracking form. Once payments are received, the payment information will be entered into Equimetrics, a receipt will be issued for the payment, and the permit will be issued. The Department has now instituted the policy that the person who enters the payment information into Equimetrics will then give it to the Supervising Office Assistant or the Community Services Analyst to issue the receipt for the payment. The payment will then be given to the Staff Analyst II to be deposited in the bank. The person who entered the information into Equimetrics will be responsible for issuing the permit.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 2: Depositing procedures could be improved.

The ICCM Chapter 9-4 "Bank Deposit Guidelines" states that deposits of cash must be made by the next business day when the amount of receipts reaches \$1,000 in cash and coin. If the Department has a special need to be exempt from this policy, a written justification must be approved by the Auditor-Controller's Office. For receipts of checks and money orders, deposits should be processed immediately.

We identified when commercial weighing or measuring device registration fee payments for the new fiscal year are received prior to July 1, payments are not

processed and are instead held in a safe until July. Payments could be held for a month before they are processed for deposit.

The Equimetric system does not provide the option for Department personnel to enter payment information until the new fiscal year in July. Holding onto deposits longer than the required guidelines increases the risk of misappropriation of assets.

Recommendation:

We recommend deposits be made by the next business day when the amount of receipts reaches \$1,000 in cash and coin. If deposits cannot be made by the next business day, we recommend the Department submit a request to the Auditor-Controller/Treasurer/Tax Collector's Office for an exemption. We also recommend the Department review and train staff on the requirements of the ICCM Chapter 9-4 "Bank Deposit Guidelines".

Management's Response:

The Department has corrected its depositing procedure. The Department's policy is now depositing cash and coins at the bank a minimum of twice a week. If the Department has more than \$1,000 in cash and coins on hand, it is deposited at the bank the same day it is received. The Department is working with the Equimetric software developer to have the system be able to post payments for the following fiscal year when they are received. The Department expects to have this ability before the FY 2025-26 renewal season begins in late May 2025. This will allow the Department to process payments when they are received, and they will no longer be held to be processed after the beginning of the fiscal year.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 3: Controls over billing and collections records could be improved.

The ICCM Chapter 2-3 "Principles of Internal Control" states all transactions and pertinent events should be accurately and properly recorded on documents and records. Sufficient and relevant data should be recorded to provide an audit trail and to document evidence that a transaction took place. An audit trail allows an

independent user to validate a specific transaction by tracing it from a summary report to its original documentation. The existence and value of assets should be periodically verified and reconciled with prior records.

The following conditions were identified:

- When we selected a sample of 25 permits, 10 invoices related to those permits could not be found.
- The Department does not save delinquent notice copies that are sent out to businesses. The Department will only have a record of the delinquent notice if the business returns the notice with their payment.
- Although the Department generates reports to identify outstanding fees, billed amounts and collected amounts are not reconciled.

Staff inadvertently disposed of records. During the audit period, hard copies of mailed delinquent notices were not maintained due to cost saving measures. When invoices are missing, or records are not properly maintained, transactions may not be properly recorded. When reconciliations are not performed, variations could occur between what was billed and what was collected.

Recommendation:

We recommend the department retain their records in accordance with the ICCM's "Principles of Internal Control" and ensure proper supervision over the retention and destruction of records. We also recommend the Department adequately track delinquent notices and document and review reconciliations between billings and collections.

Management's Response:

The Department has retrained staff that are responsible for filing and purging documents. The Department is now filing a copy of all delinquent notices that are sent to businesses, all notices are retained for five years. Additionally, the Department is reconciling the fee amount collected and the fee amount due every two weeks. This information is reported to the Department Head every two weeks.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.